

Sacramento Industrial

FIRST QUARTER 2006

QUICK STATS

	Current	Change from last Yr.	Qtr.
Vacancy	9.0%	↓	↓
Lease Rates	\$0.33-WHSE \$0.74-R&D	↓	↑
Net Absorption*	1,124,040 sf	↓	↓
Construction	1,261,584 sf	↔	↓

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

HOT TOPICS

- Reduction in vacancy came from significant contributions in leasing activity.
- Within the immediate Sacramento area, the vacancy rate lowered from 7.9% to 7.4%. The Greater Sacramento area, including the McClellan Park and Auburn/Newcastle submarkets, combine to bring the overall market to a 9.0% vacancy rate.
- During the first quarter of 2006, 30 buildings greater than 4,000 square feet were completed totaling 428,581 square feet, while an additional 84 are still under construction.

MARKET OVERVIEW

The Sacramento area industrial market continues to show positive signs. Continuing the trend from 2005, the vacancy rate fell from 9.5% to 9.0%. 1.1 million square feet was absorbed in the first quarter 2006, representing a slight decrease from the rapid pace of absorption witnessed in 2005. New construction remains steady with 1.2 million square of activity during the first quarter. These indicators reflect a healthy balanced industrial market.

The Sacramento area vacancy rate fell to 9.0% this quarter, the lowest recorded vacancy level since 2001.

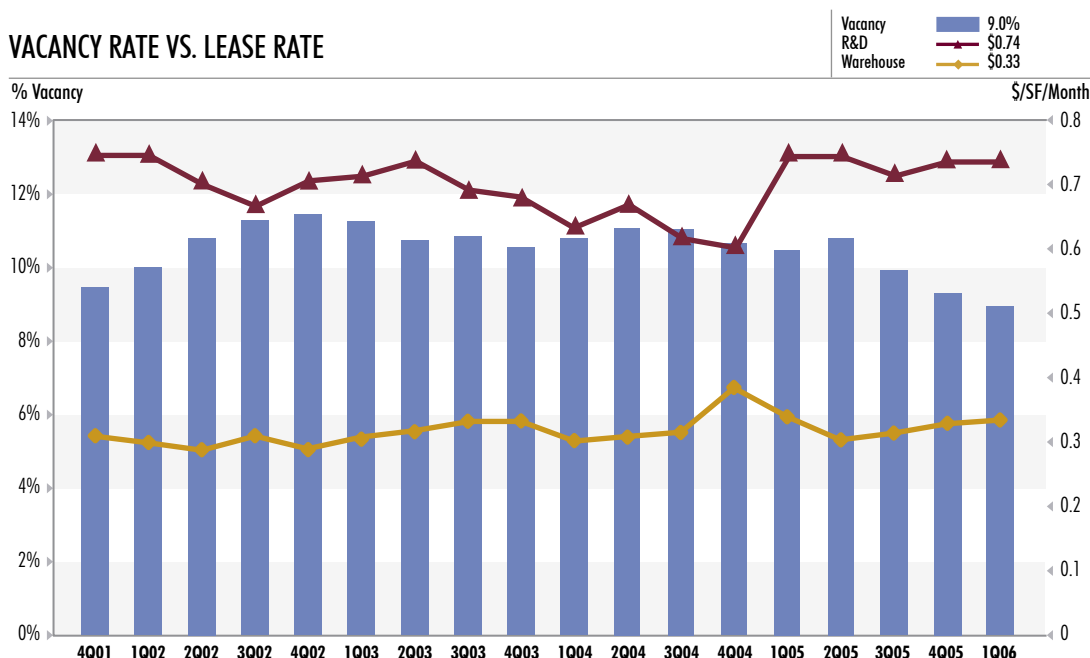
The Sacramento area continued the trend of declining vacancy rates. The increase in leasing activity has carried over from 2005 into the first quarter of 2006. Lease transactions more than tripled sales transactions on a square foot basis this quarter.

The first quarter 2006 saw positive net absorption of over 1.1 million square feet. This strong absorption contributed to a decrease

in vacancy rate from 9.5% to 9.0%. This is the lowest vacancy rate noted since the first quarter of 2001. Within the immediate Sacramento area the vacancy rate fell to 7.4% compared to 7.9% in the fourth quarter of 2005. Reduction in vacancy came from significant contributions in leasing activity. Building leases over 50,000 square feet added over 675,000 net square feet of absorption. Building leases less than 50,000 square feet experienced the greatest amount of activity providing 1,218,000 square feet of net absorption.

The Sacramento industrial market now totals 162 million square feet due to the completion of approximately 428,000 square feet of construction. There are currently 1.2 million square feet under construction with the highest activity in the Northgate/Natomas, Rancho Cordova, El Dorado, Roseville/Rocklin and West Sacramento submarkets.

VACANCY RATE VS. LEASE RATE


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Area	Submarket	Rentable Sq. Ft.	Vacancy Sq. Ft.	Vacancy Rate	1Q Net Absorption	YTD Net Absorption	1Q Under Construction
69	Northgate / Natomas	13,933,209	1,422,574	10.2%	176,279	176,279	286,500
70	Richards Boulevard	6,031,534	256,390	4.3%	(14,824)	(14,824)	0
71 / 72	Downtown / Midtown / East Sac	5,985,801	98,602	1.6%	(58,618)	(58,618)	0
73	West Sacramento	17,709,726	1,112,142	6.3%	140,041	140,041	115,000
74	South Sacramento	5,008,758	26,932	0.5%	9,660	9,660	0
75	Elk Grove / Laguna / Galt	5,805,147	722,170	12.4%	76,393	76,393	43,800
76	Power Inn Area	26,172,357	2,305,341	8.8%	397,615	397,615	0
77	Northeast Sacramento	7,249,436	296,513	4.1%	51,781	51,781	0
78	Rancho Cordova / Hwy 50	17,488,623	924,834	5.3%	220,692	220,692	206,750
79/83	Roseville / Rocklin / Lincoln	18,458,391	1,859,017	10.1%	131,347	131,347	366,404
80	I-80/Roseville Rd	9,568,663	404,880	4.2%	17,845	17,845	102,661
81 / 85	Woodland / Davis	16,279,864	1,852,475	11.4%	(29,813)	(29,813)	0
88 / 89	Folsom / El Dorado Hills	3,839,994	100,910	2.6%	3,933	3,933	140,469
	Greater Sacramento	153,531,503	11,382,780	7.4%	1,122,331	1,122,331	1,261,584
91	McClellan Park	6,021,164	3,049,294	50.6%	110,625	110,625	0
90	Auburn / Newcastle	2,679,130	238,906	8.9%	(108,916)	(108,916)	0
	Outlying Area Total	8,700,294	3,288,200	37.8%	1,709	1,709	0
	Market Total	162,231,797	14,670,980	9.0%	1,124,040	1,124,040	1,261,584

NOTE: Only industrial properties over 4,000 square feet, excluding government-owned buildings and medical buildings, are included in this survey.

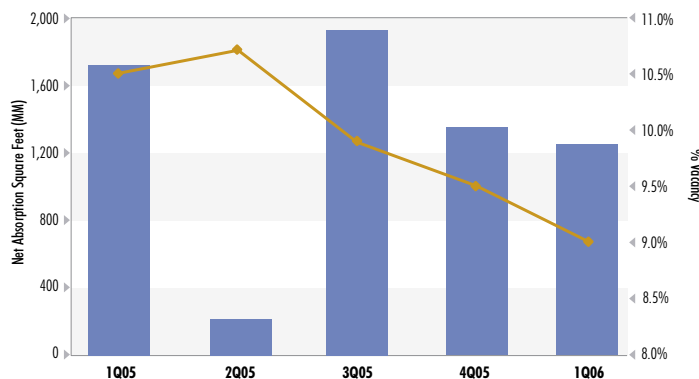
MARKET OUTLOOK

The Sacramento area industrial market continues its momentum from 2005 into 2006. Leasing activity continued to outpace the sale of owner/user buildings. This same trend was witnessed in 2005, and marks a steady return of increased leasing activity in the Sacramento area. The vacancy rate continued to decrease to a five year low of 9.0%. Nearly all of the submarkets within the immediate Sacramento area had positive absorption. New construction maintained a healthy level of approximately 1,200,000 square feet.

2006 started the year in a positive direction. Absorption numbers decreased from the fourth quarter 2005 due to a decrease in building sales and drop in lease transactions greater than 50,000 square feet, however, activity remains strong for smaller multi-tenant properties. We expect to see continued strong leasing activity for the remainder of 2006. Although the lack of available/developable land continues to be a challenge in most submarkets, the Sacramento area should remain in healthy balance for the immediate future.

VACANCY/NET ABSORPTION

Vacancy 9.0%
Net Absorption 1,124,040 SF

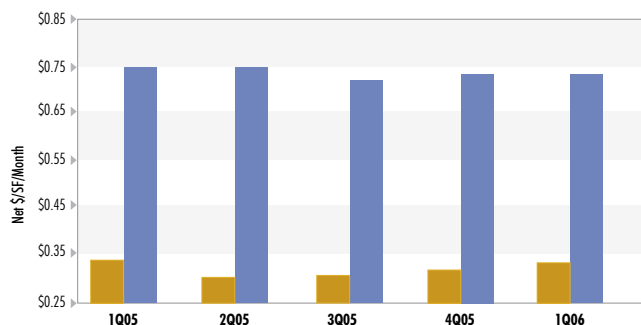


Within the immediate Sacramento area, the vacancy rate lowered from 7.9% to 7.4%. The Greater Sacramento Area, including the McClellan Park and Auburn/Newcastle submarkets, combined to bring the overall market to a 9.0% vacancy rate. The first quarter 2006, marks the third consecutive quarter the vacancy rate was below 10%. The market continues to reflect a pattern of growth in which vacancy rates move downward and net absorption and prices continue to rise. Absorption levels continue to remain on pace with 2005 trends within the West Sacramento, Power Inn and Northgate/Natomas submarkets. Rancho Cordova/Highway 50 saw a significant increase in absorption during the first quarter ($\pm 220,000$ SF), exceeding 2005's year-end total ($\pm 215,000$ SF). Newly available space this quarter includes the following: 12789 Earhart Way with 55,000 SF (Auburn/Newcastle), 1037 N. Market Boulevard with 49,063 SF (Northgate/Natomas) and 2031 Idzorek Street with 93,000 SF (McClellan Park).

Significant industrial transactions in the Sacramento market for the quarter included: Contractor's Warehouse leased 123,702 SF at 10060 Mills Station Road, Rancho Cordova. UC Davis leased 120,960 SF at 7301 14th Avenue, Power Inn. The U.S. Post Office Leased 77,977 SF at 1227 Striker Avenue, Northgate/Natomas.

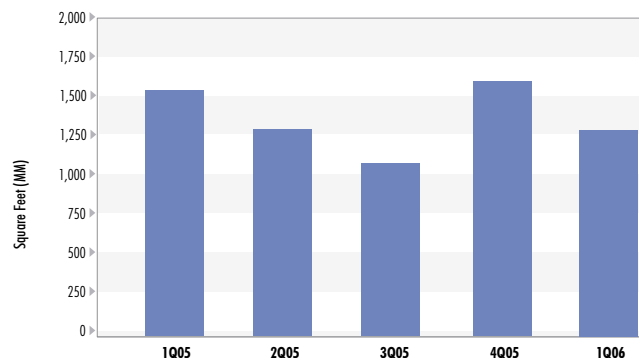
AVERAGE ASKING LEASE RATES

R&D \$0.74
Warehouse \$0.33



Average asking lease rates for distribution properties, above 50,000 square feet, are approximately \$0.33 per square foot, NNN. Average lease rates for flex/R&D properties remained unchanged from last quarter at \$0.74 per square foot NNN. Multi-tenant warehouse spaces increased from the fourth quarter 2005 to average \$0.48 per square foot, NNN.

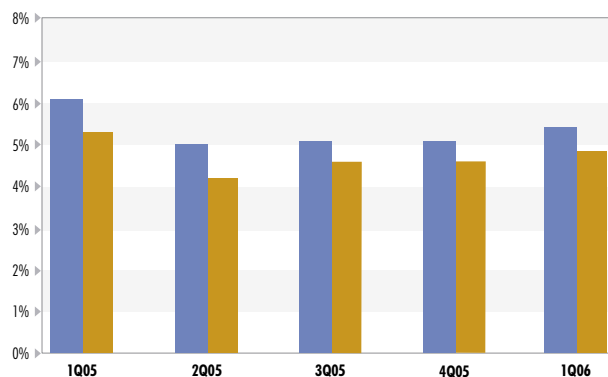
CONSTRUCTION ACTIVITY



There are currently 1,261,331 square feet under construction in the market. During the first quarter of 2006, 30 buildings greater than 4,000 square feet were completed totaling 428,581 square feet, while an additional 84 are still under construction. Current areas with high levels of construction include: Northgate/Natomas, Roseville/Rocklin/Lincoln, Rancho Cordova, El Dorado Hills and West Sacramento.

UNEMPLOYMENT RATE

California
Sacramento MSA

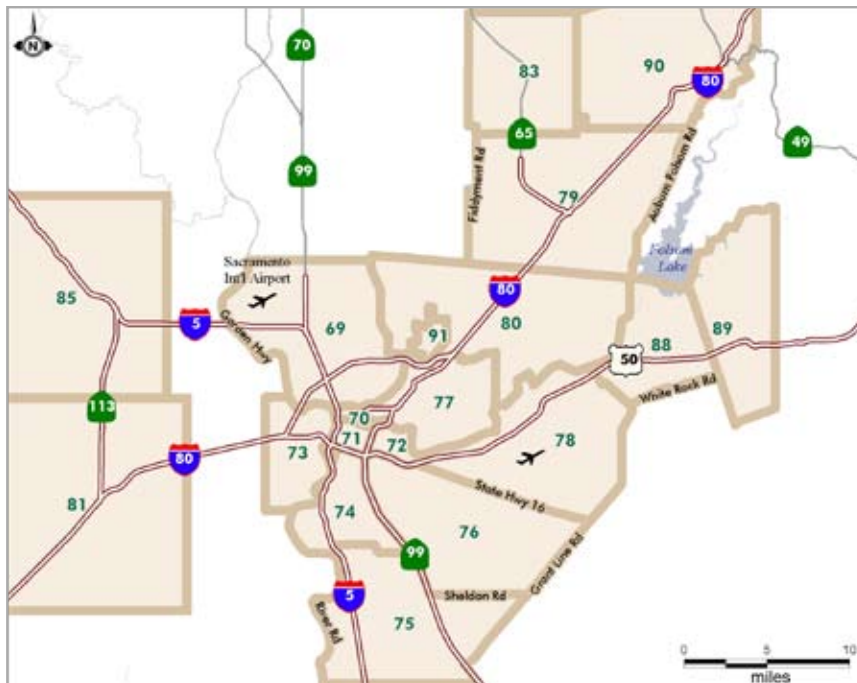


In February 2006, the California Employment Development Department reported a 4.8 percent unemployment rate for the Sacramento area, which fell below last year's estimate of 5.4 percent and is up from last quarter's number of 4.7 percent. The current unemployment rate for California is 5.4 percent. Across counties, unemployment rates are as follows: El Dorado County 4.8 percent, Placer County 4.1 percent, Sacramento County 4.8 percent, and 6.1 percent in Yolo County.

During last year the total job count increased by 3.2 percent, with a total of 27,700 jobs added to the Sacramento MSA. January and February represented the strongest gains seen since 2001. Construction remains strong, despite concerns in the residential housing market, with a 3,300 job gain. Architecture, engineering and employment services added 5,700 jobs. The expansion of retail also continues to add to the job market, with an addition of 4,500 jobs coming from restaurants in the leisure and hospitality services.

SUBMARKET AREA DESCRIPTIONS

LOCATION / MARKET AREA	MARKET NRA	MARKET SHARE
69 NATOMAS/NORTHGATE	13.9 million square feet	8.6%
70 RICHARDS BOULEVARD	6.0 million square feet	3.7%
71/72 DOWN/MIDTOWN/EAST SACRAMENTO	6.0 million square feet	3.7%
73 WEST SACRAMENTO	17.7 million square feet	10.9%
74 SOUTH SACRAMENTO	5.0 million square feet	3.1%
75 ELK GROVE/LAGUNA/GALT	5.8 million square feet	3.6%
76 POWER INN AREA	26.2 million square feet	16.1%
77 NORTHEAST SACRAMENTO	7.2 million square feet	4.5%
78 RANCHO CORDOVA/HIGHWAY 50	17.5 million square feet	10.8%
79/83 ROSEVILLE/ROCKLIN/LINCOLN	18.5 million square feet	11.4%
80 I-80/ROSEVILLE RD	9.6 million square feet	5.9%
91 MCCLELLAN PARK	6.0 million square feet	3.7%
81/85 WOODLAND/DAVIS	16.3 million square feet	10.0%
88/89 FOLSOM/EL DORADO HILLS	3.8 million square feet	2.4%
90 AUBURN/NEWCASTLE	2.7 million square feet	1.7%



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TERMINOLOGY

AVERAGE ASKING DIRECT LEASE RATE: The rate determined by multiplying the asking net lease rate for each building by its associated available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

NET LEASES: Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

MARKET COVERAGE: Includes all competitive industrial buildings 4,000 square feet and greater in size, excluding government buildings.

NET ABSORPTION: The change in Occupied Square Feet from one period to the next.

BUILDING AREA: The total floor area of the building, typically taken at the "drip line" of the building.

OCCUPIED SQUARE FEET: Building Area not considered to be vacant.

UNDER CONSTRUCTION: Buildings which have begun construction as evidenced by site excavation or foundation work.

AVAILABLE SQUARE FEET: Available Building Area which is either physically vacant or occupied.

AVAILABILITY RATE: Available Square Feet divided by the Building Area.

VACANCY RATE: Vacant Square Feet is divided by the Building Area.

VACANT SQUARE FEET: Existing Building Area which is physically vacant or immediately available.

NORMALIZATION: Due to a reclassification of the market, the base, number and square footage of buildings for previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

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